

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

January 10, 2003

IN RE:

APPLICATION OF ENTERGY ARKANSAS, INC. FOR
APPROVAL OF SYNTHETIC RAILCAR LEASE

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DOCKET NO.
02-01216

ORDER APPROVING SYNTHETIC RAILCAR LEASE

This matter came before Chairman Sara Kyle, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 2, 2002 for consideration of the *Application for Approval of Synthetic Railcar Lease* (the "*Application*") filed by Entergy Arkansas, Inc. ("EAI").¹ Upon consideration of the *Application*, the Directors of this voting panel made the following findings of fact and conclusions of law:

1. EAI is an Arkansas corporation with its principal offices located in Little Rock, Arkansas.
2. EAI is a public utility in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. §§ 65-4-101, *et seq.*
3. On November 8, 2002, EAI filed with the Authority its *Application* seeking

¹ EAI submitted as its *Application* a copy of its application for similar approval filed with the Arkansas Public Service Commission ("APSC"). The APSC approved EAI's *Application* by Order dated November 21, 2002 in APSC Docket No. 02-224-U.

approval, pursuant to Tenn.Code Ann. § 65-4-109, to enter into a lease to replace EAI's former lease for the aluminum railcars that are used to transport coal for use as fuel at the White Bluff Electric Station and the Independence Steam Electric Station, which are co-owned by EAI and other providers of electric service. The Arkansas Public Service Commission ("APSC") approved the former lease, known as a "Hybrid Lease," by Order issued on June 7, 1995 in APSC Docket No. 94-439-U. The Hybrid Lease was so named because it was treated as an operating lease for accounting purposes while for tax purposes EAI was treated as the owner of the equipment.

4. The *Application* states that, like the Hybrid Lease, the Synthetic Lease has characteristics associated with both operating and capital expenses that will permit EAI to enjoy substantial cost savings. For accounting and reporting purposes, the Synthetic Lease will be structured so as to constitute an operating lease. For all other purposes, including tax purposes, EAI will be considered the owner of the railcars.

5. EAI proposes to enter into the Synthetic Lease with the BTM Capital Corporation. The equipment leased will be approximately 2,545 aluminum rotary dump high side gondola railcars with an estimated cost of approximately \$78,000,000. EAI anticipates that the Synthetic Lease will commence in late November or early December 2002 and will have an initial term of five (5) years, with EAI holding an option to renew the lease for two (2) consecutive one-year terms.

6. Tenn. Code Ann. § 65-4-109 directs the Authority to approve the proposed issuance of debt if it finds that such issuance is to be made in accordance with the law and the Authority approves the purpose of the issuance. Although it is in some respects a lease

of equipment, the Synthetic Lease also constitutes a loan and is therefore subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109.²

7. After careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the Authority concluded that EAI's *Application* should be approved. The Authority finds that this Synthetic Lease is for a proper purpose and is in the public interest. The Authority further determined that in the event the APSC changes its approval of EAI's *Application*, the Authority will revisit the issue of whether the Authority should approve the Synthetic Lease.

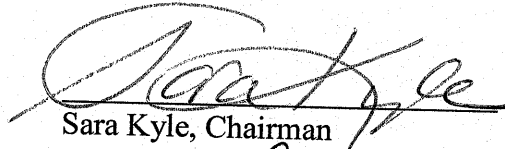
IT IS THEREFORE ORDERED THAT:

1. Entergy Arkansas, Inc. is authorized to enter into a Synthetic Railcar Lease in which Entergy Arkansas, Inc. will lease aluminum railcars used to transport coal for use as fuel at the White Bluff Steam Electric Station and the Independence Steam Electric Station.
2. The terms of said Synthetic Lease shall be as described in the *Application* on file with the Authority.
3. In the event the Arkansas Public Service Commission changes its approval of EAI's *Application*, the Authority will revisit the issue of whether the Authority should approve the Synthetic Lease.

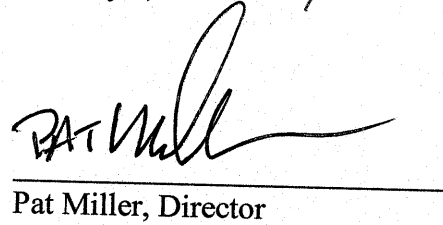
² Article XXVIII, Section 28.1(b) of the Synthetic Lease, a copy of which was submitted with the *Application*, states:

It is the intent of the parties hereto that for all purposes other than financial accounting and reporting, the obligations of the Lessee under this Lease to pay Base Rent and Lease Balance in connection with any purchase of any Leased Asset pursuant to this Lease shall be treated as payments of interest on and principal of, respectively, loans from the Lessor to the Lessee. The Lessee hereby grants to the Lessor a security interest in the Leased Assets to secure the Lessee's payment and performance of all obligations of the Lessee under this Lease and the other Operative Documents.

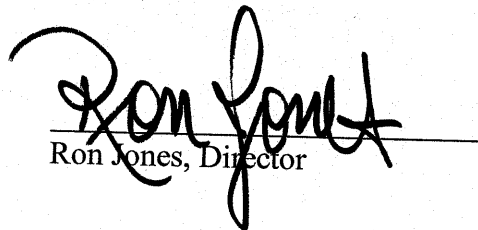
4. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.



Sara Kyle, Chairman



Pat Miller, Director



Ron Jones, Director